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CENTRAL INTELLIGENCE AGENCY
NATIONAL FOREIGN ASSESSMENT CENTER

6 December 1978

MEMORANDUM

WEST GERMANY-USSR: THE ECONOMIC
COOPERATION AGREEMENT [REDACTED]

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Summary

The West German Bundestag will give general approval to the West German-Soviet agreement on economic, industrial, and technical cooperation signed by Chancellor Schmidt and President Brezhnev during the latter's visit to Bonn last May. Parliamentary discussions made clear that all parties accept the agreement's economic objectives. There is a dispute--still unresolved--over how to endorse the accord in the Bundestag, but this is essentially a conflict over the presumed intentions of Ostpolitik. Although only a framework for economic relations, the accord has been portrayed as politically significant because Bonn and Moscow want to accentuate evidence of understanding at a time when progress is stalled on bilateral problems. [REDACTED]

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25X1 The agreement, while similar to previous cooperation pacts between the two countries except for its expected duration, has been regarded as the centerpiece of the Brezhnev visit. His visit produced no notable understanding on other issues, such as the contentious one of Berlin. [REDACTED]

25X1 The agreement represents a promise of stability in relations and of economic cooperation that both West Germany and the USSR desire. The element of hope perhaps is more significant than the agreement itself. In fact, the pattern of goods exchanged between the USSR and West Germany will develop according to the decisions of West German businessmen rather than by the terms of the agreement. The pact is balanced and general. It endorses, for example, credits on conditions "as favorable as possible" or compensation deals--much favored by the Soviets--if they are "in the interest of both sides." The term of 25 years is unusual: the initial validity of the economic cooperation agreement is 10 years with renewal for five-year periods. [REDACTED]

Recent Trade Pattern

25X1 Despite a rapid rise in the 1970s, trade with the USSR has not been extensive and remains a small share of West German trade. The surge of 1973-75, when West German exports more than doubled, is not likely to be repeated. After 1975, Soviet concern about its rapidly rising trade deficit with the industrial West led the USSR to slow down imports from hard currency countries and push exports. As a result, West German-Soviet trade leveled off. Despite recent indications of a rise in exports from West Germany, available 1978 trade data suggests that the goal cited in the joint communique--a doubling of trade between 1976 and 1980--is unrealistic. [REDACTED]

25X1 More detailed plans for carrying out the May economic agreement are still being prepared for presentation to the next Soviet-West German Joint Commission meeting next fall in Bonn. Problems of payment were reportedly explored last September at a Joint Economic Commission meeting. Yet Moscow continues to be unwilling to deplete hard currency reserves or increase indebtedness to West Germany, and the

25X1 West Germans still refuse to go along with Soviet insistence on compensation deals. The West German Government does not support such arrangements, nor does it provide guarantees for such transactions. [REDACTED]

Bundestag Endorsement

25X1 The desire of key Ostpolitik advocates to make the most of this economic agreement has led to partisan differences over what sort of Bundestag endorsement it deserves. Chancellor Schmidt apparently agreed for a time that Bundestag ratification of the agreement--an unusual procedure firmly resisted by the opposition--would impress Moscow with Bonn's seriousness of purpose. He also relished, to some degree, the idea of perhaps forcing the opposition to vote in effect against good relations with the USSR. The idea of ratification was dropped however, reportedly after Foreign Minister Genscher raised the question of what such an exception would mean for foreign policy agreements with other countries. [REDACTED]

25X1 The government asked the Bundestag to approve the agreement by resolution. In the debate, Schmidt declared, "This agreement is something special and it should be." His remarks stressed that "continuity of policy" would be underscored by the long-term nature of the agreement. The Chancellor also took the occasion to express his government's interest in expanding trade with China, but added that this could only happen if it does not disrupt "our relations with the Soviet Union." This potential problem is much on the minds of West German policymakers because of Soviet concern about possible West European arms sales to China. [REDACTED]

25X1 Christian Democratic economics expert Karl-Heinz Narjes, as the leading spokesman for the opposition, mixed factual analysis of the agreement's abstract character with suspicion of the government's Ostpolitik. He commented that he considered it unusual to turn an economic cooperation agreement into a political demonstration. Accusing the government of "see-saw politics," Narjes said the policy seeks to attach exaggerated political significance to an economic agreement with the East in order to impress the West. [REDACTED]

Schmidt's rejoinder to Narjes deplored especially the term "see-saw politics" on grounds it poses the question of West Germany's loyalty to alliances. As usual, the Chancellor portrayed doubters of Ostpolitik as unregenerate cold warriors. The opposition refused to support even the resolution of approval for the agreement, claiming it was drafted so that it would make Bundestag endorsement appear to be ratification. The Bundestag, however, did agree to refer the pact and the approval resolution for Bundestag committee review. [REDACTED]

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The dispute over how--or whether--to endorse the accord in the Bundestag is essentially a conflict over the presumed intentions of Ostpolitik. However it is resolved, the government has not gained the partisan advantage it initially saw in the issue. But all parties accept the economic objectives of the agreement because they want increasing economic exchange with the USSR and stability in the bilateral relationship. In this respect, however, the economic cooperation agreement is no more than a statement of principle: the resolution of questions of payment will have more influence on the actual development of economic relations. [REDACTED]

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